

# Annual Report

9 December 2019 to 30 June 2020

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## TABLE OF CONTENTS

<b>Chair’s message</b>	<b>2</b>
<b>Who we are</b>	<b>4</b>
Our work	5
How we will measure progress against the framework	7
<b>Our performance this year</b>	<b>8</b>
Build	8
Connect	9
Perform	10
<b>COVID-19</b>	<b>13</b>
Operations	13
Work programme and cost pressures	13
Extension to timeframes	13
<b>Our people: Governance and capability</b>	<b>14</b>
Governance	14
Our people	14
Our capabilities	16
Building our reputation	16
Diversity and inclusion	16
Being a good employer and an attractive place to work	17
Leadership, accountability and culture	17
Recruitment, selection and induction	17
Employee development, promotion and exit	18
Flexibility and work design	18
Remuneration, recognition and conditions	18
Harassment and bullying prevention	19
Safe and healthy work environment	19

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to Section 150 of the Crown Entities Act 2004

### Annual Report 2019/20

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<b>Ministerial directions</b>	<b>20</b>
<b>Statement of responsibility for the period ended 30 June 2020</b>	<b>21</b>
<b>What we have achieved with our appropriation</b>	<b>22</b>
Operating funding	22
Scope of Appropriation	22
What is intended to be achieved with this appropriation	22
Financial information	22
Statement of Performance - what was achieved	23
Capital funding	23
Scope of Appropriation	23
What is intended to be achieved with this appropriation	23
Financial information	23
Statement of Performance - what was achieved	24
Measuring our non-financial performance	24
<b>Auditor's report</b>	<b>26</b>
<b>Climate change commission 2019-20 financial statements</b>	<b>30</b>
Statement of comprehensive revenue and expense	30
Statement of financial position	31
Statement of changes in equity	32
Statement of cash flows	33
<b>Notes to the financial statements</b>	<b>34</b>
Note 1: Statement of accounting policies	34
Note 2: Revenue	36
Note 3: Personnel costs	36
Note 4: Other expenses	37
Note 5: Cash and cash equivalents	38
Note 6: Receivables	38
Note 7: Property, plant and equipment	39
Note 8: Payables	41
Note 9: Lease incentive	41
Note 10: Employee entitlements	41
Note 11: Provisions	42
Note 12: Contingencies	42
Note 13: Equity	42
Note 14: Financial instruments	43
Note 15: Related party transactions	43
Note 16: Events after balance date	44
Note 17: Explanation of major variances against budget	44
Note 18: Impact of COVID-19	44

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# Chair's message

**Nei rā ka tau mai rā te ao hurihuri nei! He hau mai tawhiti tiaki taiao e hora nei! He tohu raukura. He tohu tipuna rangatira. He toki kuruponamu ra! Tihei mauri ora, kōkiritia te kaupapa nei! E rau rangatira mā - Nāu! Nāku! Na tātou mo nga uri! Tēnā koutou. Tēnā tātou! Kia ora tātou katoa!**

This is the Climate Change Commission's first annual report. It reflects the immense amount of effort and commitment that have gone into building our organisation from the ground up.

The Commission was established in December 2019. We are an independent Crown entity with a mandate to provide expert, evidence-based advice to successive governments on the actions Aotearoa New Zealand must take to achieve our climate goals and transition to a climate-resilient and low-emissions future. Climate action is now mainstream politics and business.

To achieve this, we need a solid foundation.

We have spent our first seven months building a team. On the recommendation of the Minister for Climate Change, the Governor General appointed seven expert Commissioners. Since then, a Chief Executive and expert staff have been appointed and the Commissioners and staff have been developing new relationships (or reinvigorating old ones) with valued and critical stakeholders and communities. It has meant establishing a new office, reviewing and implementing policies, protocols and ways of operating and starting the process of getting to know each other.

We have started work to develop, test, refine and consult on an inaugural package of advice that will shape the journey of dedicated and effective climate action in Aotearoa.

This first package of advice contains four discrete pieces of work. They are advice on:

- the country's first three emissions budgets covering the period between 2022 and 2035
- guidance on the direction of Aotearoa's first emissions reduction plan to show how the emissions budgets can be achieved, focusing on the first emissions budget period (2022 - 2025)
- what potential reductions in biogenic methane might be needed in the future
- a review of Aotearoa's first Nationally Determined Contribution under the Paris Agreement and its compatibility with the goal of limited global average temperature rise to 1.5 degrees above pre-industrial levels.

Our draft advice package will be publicly released on 1 February 2021 for formal consultation and our final advice will be provided to the Minister for Climate Change by 31 May 2021. The Government will consider the Commission's advice as it makes decisions on emissions budgets and the first emissions reduction plan, which must be in place by 31 December 2021.

We take our independent role seriously and proactively provided additional pieces of work to the Government when we felt it was necessary.

In April this year, while working in lockdown, we developed and delivered to the Government six principles to guide spending and investment to support an economic recovery following the COVID-19 pandemic that would keep Aotearoa on track to achieving its climate goals. This unparalleled event proved the worth of having

an independent body dedicated to keeping climate change and climate action at the centre of government and public thinking.

The principles guided our response to Budget 2020 in May where we called for greater emphasis on climate action in economic and investment decisions.

In the same month, we submitted on the draft COVID-19 Recovery Bill asking that a climate change lens be applied to all projects seeking approval. We also provided submissions on the COVID-19 Recovery (Fast-track Consenting) Bill and the proposed regulations for the NZ Emissions Trading Scheme (NZ ETS).

I'm proud the team was able to provide several strong pieces of work in a difficult environment, but the Commission itself was not immune to the impacts of the pandemic. Lockdown was announced as we were preparing to take to the road to hear from New Zealanders about how to transition to a thriving, climate resilient, low-emissions society.

The result was a complete re-think of our engagement approach, which was brought online, and an extension of the due date for our first package of advice that was originally due in February 2021.

Our Māori capability team has done some excellent work hearing how climate change has affected hapū and iwi. This is central to our success as an organisation. We are committed to building a meaningful and respectful relationship with iwi/Māori. As a permanent, independent Crown entity, we are focused on investing in long term, sustained engagement with iwi/Māori.

While all government spending and investment should be viewed through a climate change lens, applying a te ao Māori world view is an important obligation for the Government as a Treaty Partner,

enhances understanding and helps ensure the effectiveness of climate action for the benefit of all New Zealanders.

Grounding us during this time of growth and change is the knowledge that we have support from across Aotearoa. Our establishment by the Climate Change Response (Zero Carbon) Amendment Act 2019 had multi-party support. We see this as a signal that New Zealanders are ready for strong and decisive action on climate change.

We are also supported by years of work that bring us to today. The Commission's journey began well before December 2019. I would like to acknowledge the people that came before us - the Interim Climate Change Committee, stakeholders across central and local government, business groups and the NGOs and advocates that called for an independent government organisation focused on climate action. I would like to particularly acknowledge Generation Zero and the Climate Leaders Coalition, who worked hard within the system to bring about meaningful change.

We are the proud and honoured product of these calls for action. We have taken our whakapapa seriously over our first seven months - and we intend to maintain an understanding of and respect for our origins in the coming years. This is just the beginning for the Commission and an important step on the long and urgent journey to secure a sustainable future for generations to come. We must act now; tomorrow will be too late.



**Dr Rod Carr**  
Chair

# Who we are

**We are a new independent Crown entity, and it is our task to provide independent, evidence-based advice to Government to help Aotearoa transition to a climate-resilient and low-emissions future. We deal in the facts about climate change and it is our intent to create positive change for Aotearoa and the world.**

We also monitor and review the Government's progress towards our emissions reduction and adaptation goals.

## **OUR VISION**

Our vision is **a thriving, climate-resilient and low-emissions Aotearoa.**

The Climate Change Response Act 2002 requires us to draw from the best available evidence and analysis and to think broadly about the impacts of climate change and the implications for Aotearoa over time. In doing so, we take a wide systems' view so that we understand what our advice will mean for central and local government, for individuals and households, for business sectors and communities, for iwi/Māori and for our economy and environment, now and into the future.

We are committed to taking an inclusive approach, working collaboratively with others so we can grow consensus and inspire action to change.

Our independence means we can provide impartial advice and challenge and hold the Government to account for action on climate change.

The Commission was established in December 2019 by an amendment to the Climate Change Response Act 2002 (CCRA) called the Climate Change Response (Zero Carbon) Amendment Act 2019.

This Annual Report covers the period from our establishment date of 9 December 2019 to 30 June 2020.

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## OUR WORK

Our core work programme is set out in the Climate Change Response Act. For the period of this Annual Report we have been focused on building the Commission – including our people, processes and policies – and on preparing our first set of advice to government. In May 2021, we will provide advice on the first three emissions reduction budgets and the first emissions reduction plan for Aotearoa.

The Commission seeks to influence two outcomes:

**An equitable transition to a climate-resilient and low-emissions Aotearoa and Aotearoa delivers on its commitments to global climate change action.**

Climate change issues within Aotearoa are complex. There is a huge amount of work that needs to be done by many parties to achieve the desired changes. Because of this, we are more likely to see the influence of our work emerge over time.

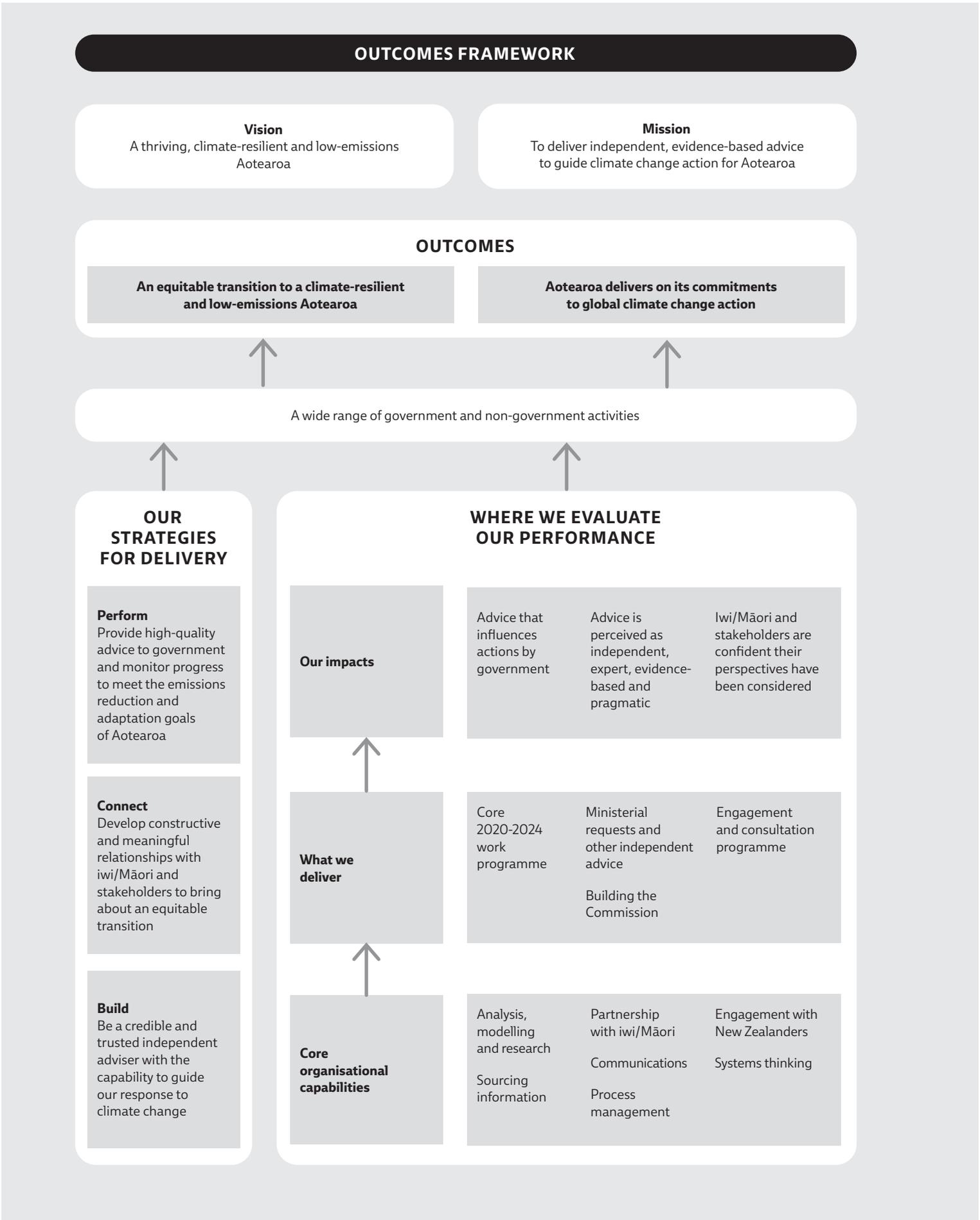
It is challenging to **attribute** progress towards achieving our country's climate change goals directly to our performance – we are one of many players who **contribute** to the progress. As a result, our framework assumes that our work will contribute to policy and behavioural change as a precursor to having an effect or influence on our two main outcomes.

To help us measure the impact of our advice, we will examine whether:

- New Zealanders are responding to our work and are able to have their say
- our work is widely used by people who are providing commentary or input to policy and is cited in their discussions.

The diagram below shows our outcomes framework. While developing the framework was completed outside of the 2019/2020 financial year, we think it provides a useful context for understanding how we expect to make a difference, and the core capabilities and strategies we will employ.

Figure 1: Outcomes framework



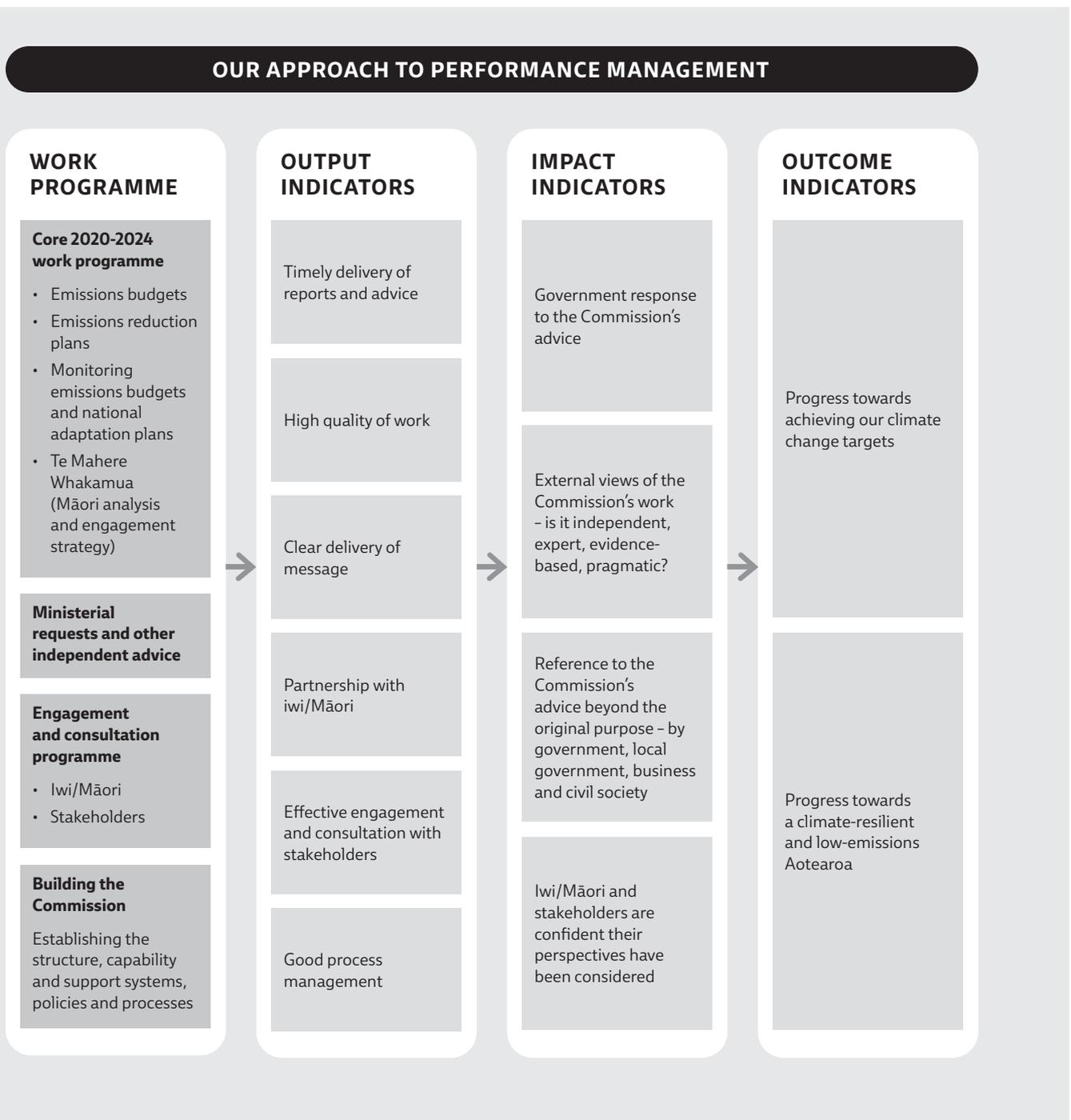
## HOW WE WILL MEASURE PROGRESS AGAINST THE FRAMEWORK

2020/21 will be the first year that we measure our progress on a formal basis. This is the year that we will begin establishing our data capture systems and setting the baselines against which the Commission's future performance can be assessed.

In the period covered by this annual report, we have measured our performance with respect to the Minister for Climate Change's expectations, as set out in his letter to the Commission's Chair dated 9 December 2019.

Our approach to performance measurement in the future is summarised in Figure 2 below.

Figure 2: High level performance framework



# Our performance this year

**There are ten election cycles between now and 2050 when Aotearoa must meet its climate goals. This year is the start of a long journey. Our work has begun, and the focus of our first few months has been on developing a strong foundation for the work programme over the next 30 plus years.**

The period from establishment in December 2019 through to 30 June 2020 has been focused on setting up the Commission, building the infrastructure to support our core business of providing advice to successive governments and beginning work on developing that advice.

In December 2019, the Commission was launched – our seven Commissioners were appointed and inducted into their governance responsibilities. Establishing the Commission has also meant recruiting and inducting staff, locating and fitting out suitable premises and setting up new equipment, policies, processes and strategies.

Our achievements are summarised in the following sections, in line with our strategic objectives of Build, Connect and Perform. These objectives enable us to focus on:

- building our infrastructure and capability to support our emerging reputation
- connecting with stakeholders throughout Aotearoa and other agencies, both here and overseas, that are working to reduce and adapt to the effects of climate change
- performing against our statutory obligations to deliver independent, expert, evidence-based advice to successive governments.

## BUILD

What we plan for and build now is what we have in the future. This is true in what we as a country choose to invest in, and it is equally true for us as a Commission.

Our build phase has focused on bringing together the resources (people, equipment, systems, processes and strategies) we need to be able to do our job well.

### HIGHLIGHTS:

- We've grown our staff numbers from a headcount of 21 in December 2019 to 38 (34.65 FTE) as at 30 June 2020. Our staffing levels will vary over time, depending on the work programme.
- We have established an office in Wellington. Our staff are all well equipped to work flexibly, and we have implemented secure cloud-based systems for all our work to ensure that confidentiality, commercially sensitive information and privacy are protected.
- We have implemented a set of organisational management and employee policies. The accompanying detailed procedures that support the policies will be completed in the first half of 2020/21.
- Drawing on the Central Agencies Shared Services (CASS) team, we have developed recruitment and induction processes, and we were able to recruit and induct new team members during the COVID-19 lockdown period.

- We have developed and implemented an Individual Employment Agreement for our staff.
- We have begun to establish comprehensive financial operations and reporting systems, including delegations, to support the Commission's operations. An operational budget for 2020/21 that enables us to undertake the planned workload for the year, despite restricted funding, has been developed and approved.
- We have inducted our Board members into their governance roles within the Crown entity environment and have developed a comprehensive Board Manual to guide members on expectations of their role and performance.
- We have delivered our Statement of Intent 2020-2024 and Statement of Performance Expectations 2020/21, containing our outcomes and performance framework.
- We have begun establishing processes for other accountability reporting, including OIAs, Parliamentary questions, Ministerial correspondence requests and select committee questionnaires – this work will continue in 2020/21.
- Although not yet complete, we have begun to develop the Commission's visual identity and core story, designed to demonstrate the role that we play in achieving our vision of a thriving, climate-resilient and low-emissions Aotearoa.
- We have established our initial communications channels, and we will deliver a new website in 2020/21 that will be fit for purpose to support the full scope of our work.

## CONNECT

Engagement is at the core of what we do. Our mandate is to provide advice based on the best available evidence and independent analysis, informed by engagement and consultation.

We know that our work will impact all New Zealanders in some way, and we are working hard to ensure we hear a diverse range of views.

The Climate Change Response Act says that we must proactively engage with people we consider relevant to our functions, duties, and powers. We take this seriously.

### HIGHLIGHTS:

- **We have agreed engagement strategies** for connecting and building respectful and enduring relationships with iwi/Māori, the media, stakeholders and other agencies working on climate change.
- **We have established technical reference groups** to support our transport, heat, industry, power, land and waste teams to develop their advice – including the scenarios and models that will contribute. Each of these technical reference groups includes key representatives from the sector involved.
- **We have put in place communications channels** to keep us connected with our stakeholders – including a website, social media and regular newsletters to share key information about our work and our progress.
- **We have held over 600 meetings** with different sectors, stakeholders and communities to introduce ourselves and our work and responded to over 250 enquiries from the media, the public and other agencies,

including over 100 invitations to meet or make presentations (many of these invitations were postponed or cancelled due to COVID-19).

- **We have progressed planning for workshops** on behaviour change, equity in transport, urban form, rural communities and the bioeconomy to gather information and views that can inform our advice.
- **We are developing an online engagement platform** to track and inform our engagement programme and make it easy for people to share their views with us.
- **We have developed a Memorandum of Understanding** with other agencies contributing to climate change policy and action in Aotearoa that covers protocols for sharing information and working from a common perspective. The MOU is in the final stages of being negotiated and is expected to be formally signed in the first half of the 2020/21 financial year.

## PERFORM

Every investment, every decision, every action, contributes to Aotearoa's emissions footprint and thus affects our progress toward being a climate-resilient society. How we use and invest in known and new technology and innovation to reduce emissions and enhance removals will govern the outcomes possible. How we change our behaviours towards low carbon choices will influence the ability to reach our targets while creating jobs, growing the economy and enhancing our lives and livelihoods.

We must confront choices and trade-offs, but we can create a better world – less vulnerable, more sustainable, and more resilient.

Since the advice that we provide to successive governments will help Aotearoa move towards a thriving, climate-resilient and low-emissions future, it is critical that it is independent, evidence-based and of the highest possible quality.

### HIGHLIGHTS:

**We have developed an analytical framework.**

**We have commissioned quantitative modelling systems** that will be used to predict the potential results of specific mitigations or emissions budget recommendations. The models are being revised to enable them to allow for the shock of the COVID-19 pandemic on Aotearoa and international trade and relations, and initial simulations are scheduled for early in 2020/21.

**We have established a detailed database** of the emissions reduction potential from different technologies and actions.

**We have begun to assess policy options for emissions reductions.**

**We have developed Te Mahere Whakamua** – our Māori-specific workstream that sits within the wider Commission workplan, that will ensure the Commission can:

- consider the Māori-specific requirements of the Climate Change Response Act
- enable Māori, as a Treaty Partner, to see themselves participating in the Commission’s work
- uphold Crown obligations as a Treaty Partner and give effect to the principles of Te Tiriti o Waitangi through the broader work plan.

**We have also begun to develop our thinking** related to the Minister’s requests for advice on what potential reductions in biogenic methane might be needed in the future and a review of Aotearoa’s first Nationally Determined Contribution under the Paris Agreement.

## ANALYTICAL FRAMEWORK

We have developed a framework of principles and priorities to underpin the development of our policy advice. The framework:

- Builds on the work already done by other agencies.
- Identifies key focus areas and integrated system outcomes. This focuses on a combination of early results, incremental and transformational changes that are needed to reach our targets.
- Clearly signals the level of ambition that is required to reach our emissions targets to provide certainty and drive action and innovation.
- Uses a “three pillars for policy” approach at its core, highlighting:
  1. policies that encourage individuals and businesses to change behaviour and habit
  2. markets and pricing to influence individuals’ and businesses’ financial decisions
  3. policies that encourage innovation and investment for system transformation.
- Identifies impacts that need to be managed to ensure an equitable transition to a low-emissions future.

The framework will be tested and revised as we develop our first set of advice over 2020/21.

**We have taken opportunities to** proactively provide advice to the Minister and the Government, including:

- **Written and oral submissions** on the Climate Change Response (Emissions Trading Reform) Amendment legislation that was enacted in June 2020. The final legislation reflected the Commission's recommendations on aligning the purpose of the NZ ETS more clearly with the Zero Carbon Act, retaining sections that emphasise the Crown's Te Tiriti o Waitangi responsibilities, and clarifying the Commission's roles and responsibilities with regard to future advice on the NZ ETS. The Commission also commented on additional issues.
- **Six principles** that can be used to guide a stimulus that creates jobs, ensures economic growth and keeps Aotearoa on track to achieving our climate goals, including an offer of assistance to put a climate change lens over plans for recovery from COVID-19. The six principles are listed below.
  1. Consider how stimulus investments can deliver long-term climate benefits.
  2. Bring forward transformational climate change investments that need to happen anyway.
  3. Prepare our workforce for the jobs of tomorrow.
  4. Work in partnership.
  5. Maintain incentives to reduce emissions and adapt to climate change.
  6. Change how we measure the success of economic recovery by using the full suite of wellbeing indicators to measure how Aotearoa is recovering and progressing towards an inclusive, low-emissions and climate-resilient future.

These principles have been well received, and have been picked up by Ministers, and others, and used to help shape thinking about recovery investments.

- **Feedback to the Minister for the Environment on the COVID-19 Recovery (Fast-track Consenting) Bill** and a supporting submission to the Environment Select Committee, urging that projects approved under the legislation be consistent with the objectives of the CCRA. Our feedback was incorporated and helped shape the final COVID-19 Recovery (Fast-track Consenting) Act 2020.
- **Feedback on Budget 2020** where we were clear that the economic stimulus announced is the biggest in our lifetimes – and that we need to make smart investment decisions so we can rebuild the economy, create jobs, and ensure people are better off both now and in the future.
- **Feedback on proposed regulations for the NZ ETS** where we shared our high-level thoughts on the logic and transparency applied in the provisional emissions budget and NZ ETS settings. We also noted that, while pricing emissions and rewarding innovation and investment in lowering net emissions can play a part, regulation and consumer preferences and choices are likely to have a greater effect in achieving a cleaner, greener, healthier, more resilient and sustainable future for all New Zealanders.

The full text of our advice to date can be found on our website at <https://www.climatecommission.govt.nz/our-work/advice-to-government-topic/>

# COVID-19

**COVID-19 impacted the Commission – as it did all New Zealanders – both in terms of how we operate and the nature and timing of our work programme.**

## OPERATIONS

We are a small organisation well set up with cloud-based services, that helped us transition to remote working quickly and positively in line with guidance from the Government and the Public Service Commission.

Even at Level 1 of the COVID-19 response plan, many of our staff continue to work remotely at least part of the time and this has helped embed our approach to flexible working.

## WORK PROGRAMME AND COST PRESSURES

At the time that Aotearoa went into lockdown, we had already completed substantial work to support delivering advice on the first three emissions budgets and the policy direction of the first emissions reduction plan. To meet the legislative requirements, some of this work needed to be redone to make sure it accounted for the impact of COVID-19 on Aotearoa and New Zealanders – especially given its impact on the economy.

We will need to do further work as a result of COVID-19 to meet our legislative requirements. We must provide advice on the direction of policy required to meet emissions budgets and the first emissions reduction plan that will now need to factor in the COVID-19 response spending. This additional work has created cost pressures for an already limited Commission budget.

## EXTENSION TO TIMEFRAMES

Our first advice was originally due by 1 February 2021. As a result of COVID-19 and the additional work required, the deadline was reviewed by Minister Shaw, Minister for Climate Change, and was extended by four months to 31 May 2021. However, the timeframe for the Government's decision on the emissions budgets and emissions reduction plan based on our advice remains 31 December 2021.

# Our people: Governance and capability

## GOVERNANCE

The Commission is governed by a Board that reports to and is accountable to Parliament via the Minister for Climate Change as the responsible minister. Board membership comprises Dr Rod Carr – Chair; Ms Lisa Tumahai – Deputy chair and five Commissioners: Professor Nicola Shadbolt, Ms Catherine Leining, Dr Harry Clark, Professor James Renwick and Dr Judy Lawrence.

The Chair and Commissioners are responsible for the effective governance of the Commission, which includes:

- making appointments to the management team and overseeing their performance
- setting and monitoring strategic direction
- delivering our accountability documents and ensuring we meet the performance targets in them
- ensuring the overall health, wellbeing and sustainability of the organisation (including oversight and management of reputation and risk).

The Chair and Commissioners also help shape the scope and direction of our work programme, oversee the outputs, content, balance, quality and presentation of work, and have responsibility for ensuring it gets delivered.

All seven current members were appointed in December 2019, with two having previously been members of the Interim Climate Change Committee, which helps ensure continuity of knowledge between the Committee and the Commission.

Profiles of each of our Commissioners can be found on our website at <https://www.climatecommission.govt.nz/who-are-we/our-people-2/>

## OUR PEOPLE

The quality of our people is critical to our success, particularly their expertise, analytical skills and ability to engage and influence. Given the new and emerging role of the Commission, it is important that we bring the right people into the team – people who share our values and add the diversity we need to deliver the best possible advice and reports.

To do this, we provide a supportive and collaborative environment where people can bring their best ideas and expertise, their passion and their desire to make a difference. We provide coaching and appropriate support for development and encourage collaboration across the team to raise capability and share diverse knowledge and skills.

We have partly established a permanent structure that works for us and will complete its implementation in 2020/21. We employ a core team of permanent staff supported by a limited number of secondments, fixed term employees and contractors as needed. Most of our staff (87.3%) work full time and are female (66.7%). Many of the analytical team members hold advanced qualifications (Masters or PhDs).

We place high importance on supporting our people, including investing in their development and wellbeing. Since the COVID lockdown, we have run weekly surveys asking staff about anxiety levels, support from their managers, connection to team members and how manageable workloads are. Survey results and patterns are used to help management to assess how the whole organisation is feeling and address trends.

As at 30 June 2020, the Commission had 38 people (34.65 FTE) working for it as shown in the following table:

POSITION	CONTRACT TYPE	FULL TIME	PART TIME	MALE	FEMALE	TOTAL FTE
<b>Senior leadership</b>	Permanent	3		1	2	3.00
<b>Manager</b>	Fixed term	2			2	2.00
<b>Principal Adviser/Analyst</b>	Permanent	7	2	4	5	8.70
	Fixed term	5		2	3	4.75
	Seconded	2			2	1.80
<b>Senior Adviser/Analyst</b>	Permanent	4		4	0	4.00
	Fixed term	1			1	1.00
	Seconded	0	1	1	0	0.20
	Contractor	0	2		2	1.00
<b>Support staff</b>	Fixed term	5			5	5.00
	Contractor	3	1	1	3	3.20
<b>Total</b>		<b>32</b>	<b>6</b>	<b>13</b>	<b>25</b>	<b>34.65</b>

## OUR CAPABILITIES

Our work requires a high level of capability in topics such as economics, public policy, environmental law, environmental sciences, emissions trading, land and resource management, physics and climate science, mathematical and computational modelling, engineering, behavioural sciences, impacts and adaptation science, te ao Māori (including tikanga Māori, te reo Māori and mātauranga Māori), strategy and engagement and communications.

We also need the integrative skills to provide coherent and usable advice. Our capability will enable us to build our reputation as a credible and trusted independent adviser.

## BUILDING OUR REPUTATION

To be able to influence the decisions of successive governments, the reputation of the Commission is crucial.

We have been asked to take New Zealanders with us on our journey to providing our advice, and we know that, to do our job well, our advice needs to reflect what we hear from around the country.

We are focused on understanding the interests, values and concerns of groups and individuals to inform conversations with them about how we can design achievable outcomes.

Since we are a new organisation, we are only beginning to build our reputation, leveraging off the reputations of our staff and Board members and the initial advice we have already provided.

## DIVERSITY AND INCLUSION

We value diversity – across experience, thought, workstyle and personality as well as ethnicity, gender, nationality, disability – and we foster a culture of inclusion. Our diversity and inclusion policy uses the following definitions:

**Diversity** – The variety of differences and similarities among people, including thinking style, education, work experience, gender, race or ethnicity, tribal/indigenous origins, age, culture, generation, religion, language, nationality, disability, sexual orientation, work style, job role and function, and personality type.

**Inclusion** – How diversity is recognised, valued and leveraged to create a fair, healthy and high-performing organisation, an inclusive organisation is one where all individuals feel respected, engaged and motivated, can contribute to their fullest potential, and where their contributions toward meeting organisational goals are valued.

We promote:

- curiosity and encourage diversity of thinking and perspectives and use facilitation techniques and technologies to ensure open and safe environments for conversation are created
- selection processes that are equitable and support diversity: interview panels have diverse membership.

All employees are encouraged to:

- listen to understand what others are saying
- ask questions to better understand other perspectives
- treat one another with respect
- use a variety of tools and resources to ensure we are considering and leveraging off others' perspectives.

We will behave in ways that support diversity and inclusion in meeting our statutory obligations to engage and consult with iwi/Māori, stakeholders and the general public to be able to provide successive governments with advice that takes into account the provisions of section 5M of the CCRA, including:

- social, cultural, environmental, and ecological circumstances, including differences between sectors and regions
- the distribution of benefits, costs, and risks between generations
- the Crown-Māori relationship, te ao Māori and specific effects on iwi and Māori.

We maintain a clear focus on leadership, workforce development, managing people and performance, and engaging with our employees in line with the following seven elements of being a good employer, as set out by the New Zealand Human Rights Commission.

## BEING A GOOD EMPLOYER AND AN ATTRACTIVE PLACE TO WORK

The Commission is committed to being a good employer. We work hard to create a culture where employees – including those on fixed term or temporary contracts – feel respected, engaged and motivated, can contribute to their fullest potential, and where their contributions toward meeting organisational goals are valued.

### LEADERSHIP, ACCOUNTABILITY AND CULTURE

Our managers are either engaged in, or have completed, specifically targeted management and leadership development programmes, and hold significant equivalent experience. Our managers provide a structure that is supportive and equitable to all staff. They hold regular team briefs and one-to-one meetings with each of their staff.

We have a regular Commission-wide all-staff meeting to ensure that everyone is kept up to date with developments and decisions and has the opportunity to raise concerns and ask questions. The meeting following the monthly Board meeting focuses on letting everyone know the outcomes of the papers considered by the Board.

All members of the leadership team have an open-door policy for all staff.

### RECRUITMENT, SELECTION AND INDUCTION

We strive to attract and retain high-calibre people. This includes making recruitment decisions that enable us to be well placed for the future. Our recruitment, selection and appointment processes are shaped on those ambitions using expertise from CASS.

Each new appointee is assigned a more experienced buddy, to assist them to settle into the organisation and to answer operational questions. Our induction programme and nimble approach even enabled us to bring on board additional resources during the COVID-19 lockdown.

#### **EMPLOYEE DEVELOPMENT, PROMOTION AND EXIT**

We take an organisation-wide approach to training programmes and opportunities in line with our capability priorities and this is supplemented with a targeted development programme for individuals. As part of our forward capability development process all employees will have a development plan, to be reviewed and agreed annually, with a ring-fenced staff development budget in place.

We have developed and implemented training on several topics, including on Te Tiriti o Waitangi. In addition, team members or guests with expertise in particular areas (such as the NZ ETS, the UK approach to developing emissions budgets) have presented short workshops to interested colleagues. We also host virtual meetings with overseas speakers that all staff are invited to attend.

Because we are a new organisation, with a yet incomplete permanent structure, promotion processes have yet to be designed.

All those leaving the organisation, even those leaving at the end of a temporary appointment, are provided the opportunity to complete an exit survey followed by an exit discussion with their manager or a member of the leadership team. The results of these are used to improve our staff relations and management processes.

#### **FLEXIBILITY AND WORK DESIGN**

We support flexible working arrangements wherever possible and appropriate. Providing the tools to support this is an important part of our flexible working approach. Most of our staff split their time between home and office, and we actively create an environment where staff can work hours that fit best with their home-life commitments.

Within teams, individual members are assigned lead and support/peer review roles on different pieces of work to provide opportunities for everyone to play to their strengths but also to develop new ones and mentor others.

#### **REMUNERATION, RECOGNITION AND CONDITIONS**

We adhere to Government expectations on employment relations in the public sector. Our remuneration approach was established this year and will be reviewed annually to ensure it supports our recruitment and retention strategies and is affordable within our budgeting assumptions.

To attract and retain high-quality employees in a competitive market, the Commission offers several benefits above and beyond the statutory minimum, including:

- ex-gratia payments to parents returning from parental leave
- additional annual leave (beyond four weeks) with the option to purchase more if desired
- an allowance to support employees to maintain their health, safety and wellbeing.

**HARASSMENT AND BULLYING PREVENTION**

We strive to provide an inclusive culture in which people are valued, treated fairly and respectfully and in which diverse opinions are welcomed.

The Commission has a zero-tolerance approach to harassment and bullying. Our acceptable behaviour policy, Code of Conduct and other relevant policies detail our expected behaviours.

**SAFE AND HEALTHY WORK ENVIRONMENT**

We use the Te Whare Tapa Whā model to support a holistic approach to wellbeing. This model was developed by leading Māori health advocate and researcher Prof Mason Durie in 1984 and recognised the need to balance wellbeing across the four cornerstones of health and wellbeing - physical; mental and emotional; spiritual, land and roots; family and social wellbeing.

EAP counselling is available to all staff. Employees have access to actual and reasonable sick leave, rather than a fixed number of days.

We have a health and safety committee which reports to the Risk, Audit, Safety and Health committee of the Board.

# Ministerial directions

The Commission has not been directed to give effect to or have regard to government policy during the period covered by this Report.

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# Statement of responsibility

**FOR THE PERIOD ENDED 30 JUNE 2020**

We are responsible for the preparation of the Climate Change Commission's financial statements and statement of financial performance, and for the judgements made in them.

We are responsible for any end of year performance information provided by the Climate Change Commission under section 19A of the Public Finance Act 1989.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of the Climate Change Commission for the period from establishment on 9 December 2019 to 30 June 2020.

Signed on behalf of the Board:



**Dr Rod Carr**

Chair

Date: 18 December 2020



**Ms Lisa Tumahai**

Deputy Chair

Date: 18 December 2020

# What we have achieved with our appropriation

This section covers information against the targets set in the 2019/20 Appropriations and the Minister for Climate Change's Letter of Expectations.

The funding for the Commission was established in Budget 2019 as an appropriation within Vote Environment.

## OPERATING FUNDING

	2020 \$000
Climate Change Commission - Advisory and Monitoring Function	3,610

### SCOPE OF APPROPRIATION

This appropriation is limited to the establishment and operations of the Climate Change Commission in accordance with its statutory purposes and functions.

### WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION

This appropriation is intended to provide independent, evidence-based advice to Government to help Aotearoa New Zealand transition to a low-emissions and climate-resilient economy.

### FINANCIAL INFORMATION

	2020 ACTUAL \$000	2020 BUDGET \$000
Funding from the Crown	3,610	3,610
Funding from Ministry for the Environment	1,797	1,797
Total Funding	5,407	5,407
Total Expenditure	4,272	5,407
Surplus	1,135	-

- The appropriation revenue received by the Commission equals the Government's actual expenses incurred in relation to the appropriation, which is a required disclosure under the Public Finance Act.
- A portion of the establishment funding appropriated to the Ministry for the Environment was transferred to the Commission at transition.

**STATEMENT OF PERFORMANCE - WHAT WAS ACHIEVED**

<b>ASSESSMENT OF PERFORMANCE</b>	<b>STANDARD FOR 2020</b>	<b>PERFORMANCE FOR 2020</b>
The Climate Change Commission will carry out its functions in accordance with its purpose as set out in its enabling legislation and its Statement of Intent	Achieved	<b>Affected by COVID-19; Partly achieved</b> Refer to the non-financial performance reporting below.

**CAPITAL FUNDING**

	<b>2020 \$000</b>
Climate Change Commission – capital injection	599

**SCOPE OF APPROPRIATION**

This appropriation is limited to providing a capital injection to the Climate Change Commission.

**WHAT IS INTENDED TO BE ACHIEVED WITH THIS APPROPRIATION**

This appropriation is intended to provide independent, evidence-based advice to Government to help Aotearoa New Zealand transition to a low-emissions and climate-resilient economy.

**FINANCIAL INFORMATION**

	<b>2020 ACTUAL \$000</b>	<b>2020 BUDGET \$000</b>
Total capital injection	599	599

**STATEMENT OF PERFORMANCE - WHAT WAS ACHIEVED**

ASSESSMENT OF PERFORMANCE	STANDARD FOR 2020	PERFORMANCE FOR 2020
Expenditure in accordance with the Climate Change Commission's capital asset management plan	Achieved	<b>Affected by COVID-19; Partly achieved</b>

**MEASURING OUR NON-FINANCIAL PERFORMANCE**

The Commission did not have a Statement of Intent or Statement of Performance Expectations covering the period of this report. The section of the Vote Environment appropriation documentation that pertains to us describes the purpose of the appropriation as being "intended to provide independent, evidence-based advice to Government to help Aotearoa New Zealand transition to a low-emissions and climate-resilient economy."

The Commission's performance against the five expectations laid out in Minister Shaw's 9 December 2019 Letter of Expectations is shown in the table opposite.

REF	EXPECTATION	PERFORMANCE FOR 2020
1	Receive the work of the Interim Climate Change Committee, and continue to develop a strong evidence base to support the Commission's functions in relation to both climate change mitigation and climate change adaptation.	<p><b>Delayed by COVID-19; Minister has extended the deadline to 31 May 2021; achieved (on track for new delivery deadline).</b></p> <p>ICCC material has been transferred to the Commission's control and website; predictive models are in development and testing; initial advice chapters in preparation.</p>
2	Ensure that it [the Commission] has in place the people and processes to deliver high-quality reports in accordance with its statutory functions and duties.	<p><b>Affected by COVID-19; Partly achieved.</b></p> <p><b>Implemented:</b> Analytical and management staffing structure; HR, IT, payroll, accounting systems and processes; accommodation and facilities; internal reporting and quality control; most policies and procedures. Accountability documentation met extended government deadlines for COVID-19.</p> <p><b>Delayed:</b> Permanent structure for support staffing; risk management framework; work on organisational values; small number of policies and procedures.</p>
3	Build relationships with a wide range of groups, and develop and implement a strategy for ongoing and transparent engagement with stakeholders. This could include considering the value of establishing advisory groups, for example for Māori, youth, unions or business.	<p><b>Affected by COVID-19; Partly achieved by 30 June 2020.</b></p> <p><b>Implemented:</b> Engagement and consultation strategies and plans; interim website and social media; initial work with Māori.</p>
4	Develop a memorandum of understanding that facilitates productive working relationships with relevant central government agencies (eg to develop climate-related capability and an accepted evidence base), while maintaining the independence of the Commission.	<p><b>Partly achieved:</b> Draft MOU prepared and agreed in principle amongst agencies, with minor amendments still outstanding. Work to finalise the MOU has been paused to allow key staff to focus on advice and consultation deadlines.</p>
5	Comply with all statutory requirements. This includes preparing a Statement of Intent as soon as is practicable and by late-March at the latest. This should cover the period to 30 June 2023.	<p><b>Affected by COVID-19; Partly achieved.</b></p> <p><b>Implemented:</b> Estimates reporting to Select Committee met deadlines; OIA and PQ responses met deadlines; SOI and SPE met the extended COVID-19 deadlines for 2020/21.</p> <p><b>Not achieved:</b> Neither SOI nor SPE covered 2019/20.</p>

# Auditor's report

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## INDEPENDENT AUDITOR'S REPORT

### To the Readers of the Climate Change Commission's Financial Statements and Performance Information for the Period 9 December 2019 to 30 June 2020

The Auditor-General is the auditor of the Climate Change Commission ('the Commission'). The Auditor-General has appointed me, Chrissie Murray, using the staff and resources of Baker Tilly Staples Rodway Audit Limited, to carry out the audit of the financial statements and the performance information of the Commission on his behalf.

#### Opinion

We have audited:

- the financial statements of the Commission on pages 30 to 44, that comprise the statement of financial position as at 30 June 2020, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the period ended on that date and the notes to the financial statements including the statement of accounting policies; and
- the performance information of the Commission on pages 22 to 25.

In our opinion:

- the financial statements of the Commission:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the period then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards (Reduced Disclosure Regime); and
- the performance information:
  - presents fairly, in all material respects, the Commission's performance for the period ended 30 June 2020, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year;
    - what has been achieved with the appropriations; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 18 December 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Commission's Board, our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

#### **Basis for our opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter – COVID-19**

Without modifying our opinion, we draw readers' attention to the disclosures in the statement of performance and note 18 of the financial statements about the impact of COVID-19 on the Commission.

#### **Responsibilities of the Commission's Board for the financial statements and the performance information**

The Board is responsible on behalf of the Commission for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the Commission for assessing the Commission's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Commission, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

#### **Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the Commission's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commission's Board.

We evaluate the appropriateness of the reported performance information within the Commission's framework for reporting its performance.

We conclude on the appropriateness of the use of the going concern basis of accounting by the Commission's Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Commission to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Commission audit. We remain solely responsible for our audit opinion.

We communicate with the Commission's Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

**Other information**

The Commission's Board is responsible for the other information. The other information comprises the information included on pages 4 to 21, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Independence**

We are independent of the Commission in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with or interests in the Commission.



Chrissie Murray  
Baker Tilly Staples Rodway Audit Limited

On behalf of the Auditor-General  
Wellington, New Zealand

# Climate Change Commission 2019/20 financial statements

This section sets out the financial statements, notes to the financial statements and other explanatory information.

The Climate Change Commission commenced on 9 December 2019. These financial statements are for the period from 9 December 2019 to 30 June 2020.

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE PERIOD 9 DECEMBER 2019 TO 30 JUNE 2020

	NOTE	2020 ACTUAL \$000	2020 BUDGET \$000
<b>REVENUE</b>			
Funding from the Crown	2	5,407	5,407
<b>Total revenue</b>		<b>5,407</b>	<b>5,407</b>
<b>EXPENSES</b>			
Personnel costs	3	1,743	2,513
Other expenses	4	2,516	2,841
Depreciation expense	7	13	53
<b>Total expenses</b>		<b>4,272</b>	<b>5,407</b>
<b>SURPLUS AND TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>		<b>1,135</b>	<b>-</b>

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in Note 17.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	NOTE	2020 ACTUAL \$000	2020 BUDGET \$000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	2,333	1,342
Receivables	6	60	-
<b>Total current assets</b>		<b>2,393</b>	<b>1,342</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	387	242
<b>Total non-current assets</b>		<b>387</b>	<b>242</b>
<b>Total assets</b>		<b>2,780</b>	<b>1,584</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payables	8	792	780
Lease incentive	9	9	-
Employee entitlements	10	200	205
<b>Total current liabilities</b>		<b>1,001</b>	<b>985</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease incentive	9	45	-
<b>Total non-current liabilities</b>		<b>45</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,046</b>	<b>985</b>
<b>NET ASSETS</b>		<b>1,734</b>	<b>599</b>
<b>EQUITY</b>			
Contributed capital		599	599
Accumulated surplus		1,135	-
<b>TOTAL EQUITY</b>		<b>1,734</b>	<b>599</b>

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in Note 17.

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 9 DECEMBER 2019 TO 30 JUNE 2020

	NOTE	2020 ACTUAL \$000	2020 BUDGET \$000
<b>BALANCE AT 9 DECEMBER 2019</b>		-	-
Total comprehensive revenue and expense for the period	13	1,135	-
Capital injection	13	599	599
<b>BALANCE AT 30 JUNE 2020</b>		<b>1,734</b>	<b>599</b>

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in Note 17.

## STATEMENT OF CASH FLOWS FOR THE PERIOD 9 DECEMBER 2019 TO 30 JUNE 2020

	NOTE	2020 ACTUAL \$000	2020 BUDGET \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from the Crown		5,407	5,407
Payments to suppliers		(2,017)	(2,179)
Payments to employees		(1,543)	(2,379)
Goods and Services Tax (net)		162	189
<b>Net cash flow from operating activities</b>		<b>2,009</b>	<b>1,038</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(275)	(295)
<b>Net cash flow from investing activities</b>		<b>(275)</b>	<b>(295)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital Injection	13	599	599
<b>Net cash flow from financing activities</b>		<b>599</b>	<b>599</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,333</b>	<b>1,342</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE 2020</b>		<b>2,333</b>	<b>1,342</b>

The accompanying notes form part of these financial statements. Explanations of major variances against budget are provided in Note 17.

# Notes to the financial statements

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES

### REPORTING ENTITY

The Climate Change Commission (the Commission) is an independent Crown entity as defined by the Crown Entities Act 2004. It was established under the Climate Change Response (Zero Carbon) Amendment Act 2019 and its parent is the Crown. The Commission's primary objective is to provide services to the public. The Commission does not operate to make a financial return.

The Commission is a public benefit entity (PBE) for financial reporting purposes. The entity was created when the enabling legislation received Royal assent and Commissioners were appointed on 9 December 2019. The 2019/20 financial statements for the Commission cover the period from 9 December 2019 to 30 June 2020 and were approved by the Board on 16 December 2020.

The Ministry for the Environment was responsible for establishing the Interim Climate Change Committee and supporting the establishment of an operational independent Climate Change Commission. The Ministry continued to incur expenditure on Climate Change Commission related activities after the date the Commission was established, until the Commission had in place financial systems and processes to pay its staff and suppliers independently. These costs and associated revenue from Crown, totalling approximately \$2.2 million, have been excluded from these financial statements and are instead reported by Ministry for the Environment in its financial statements for the year to 30 June 2020. The Commission started paying staff and suppliers in February 2020, and was operationally independent of the Ministry for the Environment by 31 March 2020.

### BASIS OF PREPARATION

The financial statements cover a period of less than 12 months as the Commission was established on 9 December 2019. The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

### STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirements to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The Commission has applied the suite of Tier 2 Public Benefit Entity International Public Sector Accounting Standards in preparing the 30 June 2020 financial statements. As the Commission has expenses of less than \$30 million, it is eligible to report in accordance with the PBE Standards Reduced Disclosure Regime. These financial statements comply with the PBE Standards Reduced Disclosure Regime.

### PRESENTATION CURRENCY AND ROUNDING

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

### STANDARDS EARLY ADOPTED

The Commission has not early adopted any accounting standards.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

### **Goods and services tax**

All items in the financial statements are presented exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net GST recoverable from, or payable to, Inland Revenue (IR) is included as part of receivables or payables in the Statement of Financial Position.

The net amount of GST paid to, or received from, IR, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

### **Income tax**

The Commission is a public authority and consequently is exempt from income tax. Accordingly, no provision has been made for income tax.

### **Foreign currency transactions**

Foreign currency transactions are translated into New Zealand dollars (the functional currency) using the spot exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

### **Budget figures**

The budget figures are as approved by the Board. The budget figures have been prepared in accordance with NZ GAAP, using the accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

### **Cost allocation**

Direct costs are costs directly attributed to an output. Personnel costs are allocated to outputs based on time spent. The indirect costs of support groups and overhead costs are charged to outputs based on the proportion of direct costs of each output.

### **Critical accounting estimates and assumptions**

In preparing these financial statements, the Commission has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- useful lives and residual values of property, plant and equipment – refer Note 7.

Management has exercised the following critical judgement in applying accounting policies:

- classification of the rental lease as an operating lease – refer Note 4.

## NOTE 2: REVENUE

### ACCOUNTING POLICY

#### Funding from the Crown

The Commission is primarily funded through revenue from the Crown. Revenue receipts from the Crown transactions are considered to be non-exchange transactions. The funding is restricted in its use for the purpose of the Commission meeting its objectives as specified in its founding legislation and the scope of the relevant government appropriations. Apart from these general restrictions, the Commission considers there are no conditions attached to the funding. Revenue from the funding is recognised in the financial period to which the appropriation relates. The fair value of the revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

#### Interest revenue

Interest revenue is recognised by accruing on a time proportion basis the interest due for the investment.

## NOTE 3: PERSONNEL COSTS

### ACCOUNTING POLICY

#### Salaries and wages

Salaries and wages costs are recognised as an expense as employees provide services.

#### Superannuation schemes

##### *Defined contribution schemes*

Employer contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and are expensed in the surplus as they occur.

##### *Defined benefit schemes*

The Commission does not make employer contributions to any defined benefit superannuation scheme.

	<b>2020 ACTUAL \$000</b>
Salaries and wages	1,509
Defined contribution scheme employer contributions	34
Increase in employee entitlements	200
<b>Total personnel costs</b>	<b>1,743</b>

##### Employee remuneration

	<b>2020 ACTUAL \$000</b>
<b>TOTAL REMUNERATION PAID OR PAYABLE THAT IS OR EXCEEDS \$100,000:</b>	
\$110,000 - 119,999	1
<b>Total employees</b>	<b>1</b>

The above disclosure shows the total remuneration paid or payable to employees for the period that the Commission has been operating.

No employees have received compensation or other benefits in relation to cessation.

## NOTE 4: OTHER EXPENSES

### ACCOUNTING POLICY

#### Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised as a reduction of rental expenses over the lease term.

	<b>2020 ACTUAL \$000</b>
Audit fees for audit of financial statements	34
Operating lease expense	197
Board fees	351
Contractors	271
Consultancy	949
Travel and accommodation	26
Technology expenses	398
Financial services*	96
Other expenses	194
<b>Total other expenses</b>	<b>2,516</b>

\*The Central Agencies Shared Service within Treasury provides the Commission with accounting and finance services, including: a transactional finance system, payroll, accounting and payment processing services.

#### Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	<b>2020 ACTUAL \$000</b>
No later than one year	241
Later than one year and not later than five years	965
Later than five years	201
<b>Total non-cancellable operating leases</b>	<b>1,408</b>

The non-cancellable lease expense relates to the lease of part of Level 21, AON Centre, 1 Willis Street, Wellington. The lease expires in April 2026 with no current renewal terms.

Any lease incentive received is recognised as a reduction of rent over the term of the lease. Future amounts disclosed above are based on the current rental rates.

There are no restrictions placed on the Commission by any of the operating lease arrangements.

<b>BOARD MEMBER REMUNERATION</b>	<b>2020 ACTUAL \$000</b>
Roderick Carr (Chair)*	130
Lisa Tumahai (Deputy Chair)*	41
Catherine Leining*	45
Harry Clark*	41
James Renwick	24
Judy Lawrence	31
Nicola Shadbolt	39
<b>Total Board member remuneration</b>	<b>351</b>

The Commission has provided a Deed of Indemnity to all Board members for certain acts and omissions (being acts and omissions in good faith and in performance or intended performance of the Commission's functions) to the maximum extent permitted by the Crown Entities Act 2004. The Commission has also obtained Professional Indemnity, and Directors' and Officers' Liability insurance for Board members.

No Board members have received compensation or other benefits in relation to cessation.

There have been no payments made to committee members appointed by the Board during the year.

\* These Board members' remuneration also includes membership of the Risk, Audit, Safety and Health committee.

## NOTE 5: CASH AND CASH EQUIVALENTS

### ACCOUNTING POLICY

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly-liquid investments with maturities of three months or less.

	<b>2020 ACTUAL \$000</b>
Cash at bank and on hand	2,333
<b>Total cash and cash equivalents</b>	<b>2,333</b>

## NOTE 6: RECEIVABLES

### ACCOUNTING POLICY

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The Commission applies the simplified expected credit loss model of recognising lifetime expected credit losses for receivables. Short-term receivables are written off when there is no reasonable expectation of recovery. There were no receivable write-offs in the period.

<b>BREAKDOWN OF RECEIVABLES</b>	<b>2020 ACTUAL \$000</b>
Debtors	60
<b>Total receivables</b>	<b>60</b>

## NOTE 7: PROPERTY, PLANT AND EQUIPMENT

### ACCOUNTING POLICY

Property, plant and equipment consists of the following asset classes: information technology equipment, furniture and fixtures and leasehold improvements. All items are measured at cost less accumulated depreciation and impairment losses. The capitalisation threshold is \$1,000.

### Additions

An item of property, plant and equipment is recognised as an asset only when it is probable that the future economic benefits or service potential associated with the item will flow to the Commission beyond one year or more and the cost of the item can be measured reliably. Property, plant and equipment is initially recorded at its cost. Subsequent expenditure that extends the useful life or enhances the service potential of an existing item of property, plant and equipment is capitalised. All other costs incurred in maintaining the useful life or service potential of an existing item of property, plant and equipment are expensed in the surplus or deficit as they are incurred. Work in progress is recognised at cost and is not depreciated.

### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains or losses arising from the sale or disposal of an item of property, plant and equipment are recognised in the surplus or deficit in the period in which the item of property, plant and equipment is sold or disposed of.

### Depreciation

Depreciation is provided on a straight-line basis on all asset components at rates that will write off the cost of the assets to their estimated residual values over their useful life. Leasehold improvements are depreciated over the unexpired period of the lease. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value, less costs to sell, and value in use. Any impairment losses are recognised in the surplus or deficit. At each balance date, the useful lives and residual values of the assets are reviewed.

The estimated useful lives of major asset classes are:

TYPE OF ASSET	ESTIMATED LIFE (YEARS)
Information technology equipment	3 to 5 years
Leasehold improvements	6 years
Furniture & fittings	5 years

### Breakdown of property, plant and equipment and further information

	INFORMATION TECHNOLOGY EQUIPMENT \$000	FURNITURE & FITTINGS \$000	2020 ACTUAL \$000	2020 BUDGET \$000
<b>COST OR VALUATION</b>				
Balance at 9 December 2019	-	-	-	-
Additions	108	4	-	112
Work in progress	-	6	282	288
<b>Balance at 30 June 2020</b>	<b>108</b>	<b>10</b>	<b>282</b>	<b>400</b>
<b>ACCUMULATED DEPRECIATION</b>				
Balance at 9 December 2019	-	-	-	-
Depreciation expense	13	-	-	13
<b>Balance at 30 June 2020</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>13</b>
<b>CARRYING AMOUNT</b>				
At 30 June 2020	95	10	282	387

During the period, the Commission was gifted various items of office furniture and equipment from other government agencies - including Treasury, Department of Corrections and Ministry of Social Development - when setting up the office. Specific items received included office chairs, meeting room tables and chairs, desks and whiteboards. These items were all over seven years old with no book value when gifted. They have therefore also been recorded at nil book value in these financial statements.

#### Capital commitments

As at 30 June 2020, the Commission has no capital commitments.

## NOTE 8: PAYABLES

### ACCOUNTING POLICY

Short-term payables are recorded at the amount payable.

BREAKDOWN OF PAYABLES	2020 ACTUAL \$000
<b>PAYABLES UNDER EXCHANGE TRANSACTIONS</b>	
Accrued expenses	404
Creditors	175
<b>PAYABLES UNDER NON-EXCHANGE TRANSACTIONS</b>	
Taxes payable (GST/PAYE/WHT)	213
<b>Total payables</b>	<b>792</b>

## NOTE 9: LEASE INCENTIVE

### ACCOUNTING POLICY

Any unamortised lease incentive received is recognised as a liability in the Statement of Financial Position.

A lease incentive liability is created to spread the incentive received at the inception of the lease, throughout the term of the lease. The Commission received a contribution towards fit out costs when it commenced the lease of its office premises.

	2020 ACTUAL \$000
Current portion	9
Non-current portion	45
<b>Total lease incentive</b>	<b>54</b>

## NOTE 10: EMPLOYEE ENTITLEMENTS

### ACCOUNTING POLICY

#### Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

#### Long-term employee entitlements

The Commission does not have long-term employee entitlements.

BREAKDOWN OF EMPLOYEE ENTITLEMENTS	2020 ACTUAL \$000
Accrued annual leave	135
Accrued salaries and wages	65
<b>Total employee entitlements</b>	<b>200</b>

## NOTE 11: PROVISIONS

### ACCOUNTING POLICY

A provision is recognised for future expenditure of an uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Commission has no provisions at 30 June 2020.

## NOTE 12: CONTINGENCIES

The Commission has no contingent liabilities and no contingent assets at 30 June 2020.

## NOTE 13: EQUITY

### ACCOUNTING POLICY

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated into the following components:

- contributed capital
- accumulated surplus.

<b>BREAKDOWN OF EQUITY</b>	<b>2020 ACTUAL \$000</b>
<b>CONTRIBUTED CAPITAL</b>	
Balance at 9 December 2019	-
Capital injection	599
Balance at 30 June 2020	599
<b>ACCUMULATED SURPLUS</b>	
Balance at 9 December 2019	-
Surplus for the year	1,135
Balance at 30 June 2020	1,135
<b>Total equity</b>	<b>1,734</b>

The Commission is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives. The Commission manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure the Commission effectively achieves its objectives and purpose, while remaining a going concern. This includes achieving a surplus at year end to be able to meet all obligations as they fall due. In the 2019/20 financial year, the surplus also included funds that had not yet been spent to complete the establishment of the Commission.

## NOTE 14: FINANCIAL INSTRUMENTS

### ACCOUNTING POLICY

#### Categories of financial instruments

All financial assets and liabilities held by the Commission are recognised at amortised cost. The carrying amount of financial assets and liabilities in each of the financial instruments' categories are:

	2020 ACTUAL \$000
<b>FINANCIAL ASSETS MEASURED AT AMORTISED COST</b>	
Cash and cash equivalents	2,333
Receivables	60
<b>Total financial assets measured at amortised cost</b>	<b>2,393</b>
<b>FINANCIAL LIABILITIES MEASURED AT AMORTISED COST</b>	
Payables	792
Lease incentives	54
<b>Total financial liabilities measured at amortised cost</b>	<b>846</b>

## NOTE 15: RELATED PARTY TRANSACTIONS

The Commission is a wholly owned entity of the Crown. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect the Commission to have adopted in

dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

#### Key management personnel

Board members are appointed by the Minister for Climate Change and are the Board for the purposes of the Crown Entities Act 2004. In addition to their role with the Commission, Board members have other interests and may serve in positions with other organisations, including organisations to which the Commission is related. Interests are declared in the interests register and they are then assessed as to whether there are any actual or perceived conflicts of interest.

#### Permission to act despite being interested in a matter

Section 68(6) of the Crown Entities Act 2004 requires the Board to disclose any interests to which a permission to act has been granted, despite a member being interested in a matter. During the 2019/20 financial year, the following permissions were granted:

- One Commissioner has an employment contract with Motu Economic and Public Policy Research and will be exempt from voting on matters relating to the administration of the contract between Motu and the Commission. However, this Commissioner has not been exempt from decisions or vote matters in 2019/20.

<b>KEY MANAGEMENT PERSONNEL COMPENSATION</b>	<b>2020 ACTUAL \$000</b>
Board members	351
Full-time equivalent	0.97
Leadership team	371
Full-time equivalent	2.49
<b>Total key management personnel remuneration</b>	<b>722</b>
<b>Total full-time equivalent personnel</b>	<b>3.46</b>

The Board member remuneration relates to the period from their appointment in December 2019. The leadership team remuneration relates to the period from February 2020. Prior to February 2020, the Ministry for the Environment incurred the costs of remunerating the leadership team. Full-time equivalent values reflect the period worked in the period covered by these financial statements.

No other related party transactions were entered into during the year with key management personnel.

## NOTE 16: EVENTS AFTER BALANCE DATE

There were no significant events after the balance date 30 June 2020 that require recognition or disclosure in the financial statements.

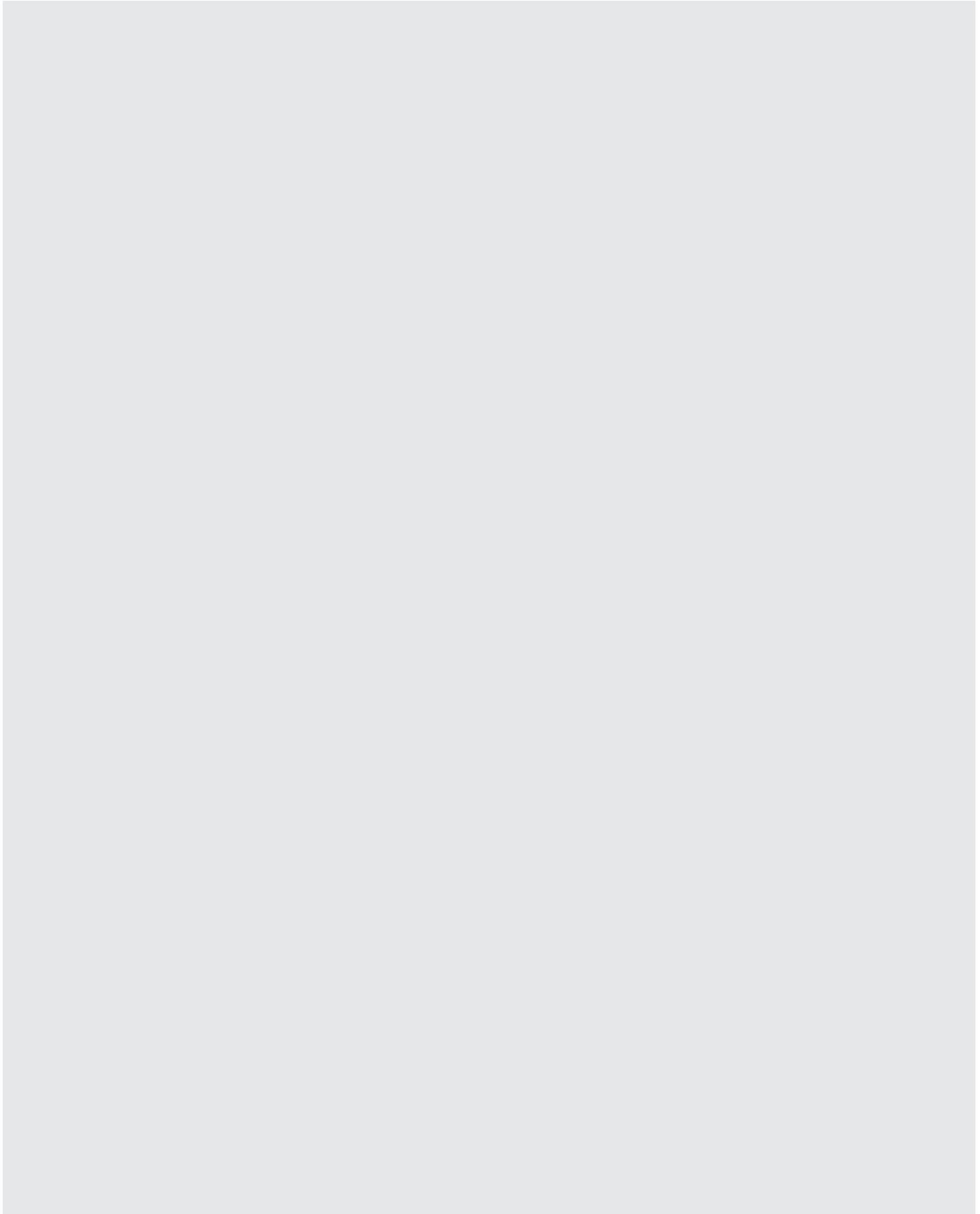
## NOTE 17: EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

The Commission had a higher net surplus than estimated mainly as a result of planned work using consultants that was delayed due to COVID-19 and fewer personnel due to a hold on recruiting senior positions. Depreciation was less than budgeted as the premises fit out was delayed due to COVID-19.

Variations in the Statement of Financial Position and Statement of Cash Flows are timing differences only, resulting from timing and receipt of cash payments to suppliers and receipts from the Crown.

## NOTE 18: IMPACT OF COVID-19

COVID-19 has had an impact on the operations of the Commission, delaying some activities and reprioritising other programmes of work. There are, however, no financial impacts required to be reflected in these financial statements. There was no need to impair any fixed assets and collectability of revenue was not affected.



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